



Petroleum Market Report

November 15, 1999

Energy Information Administration
Office of Oil & Gas

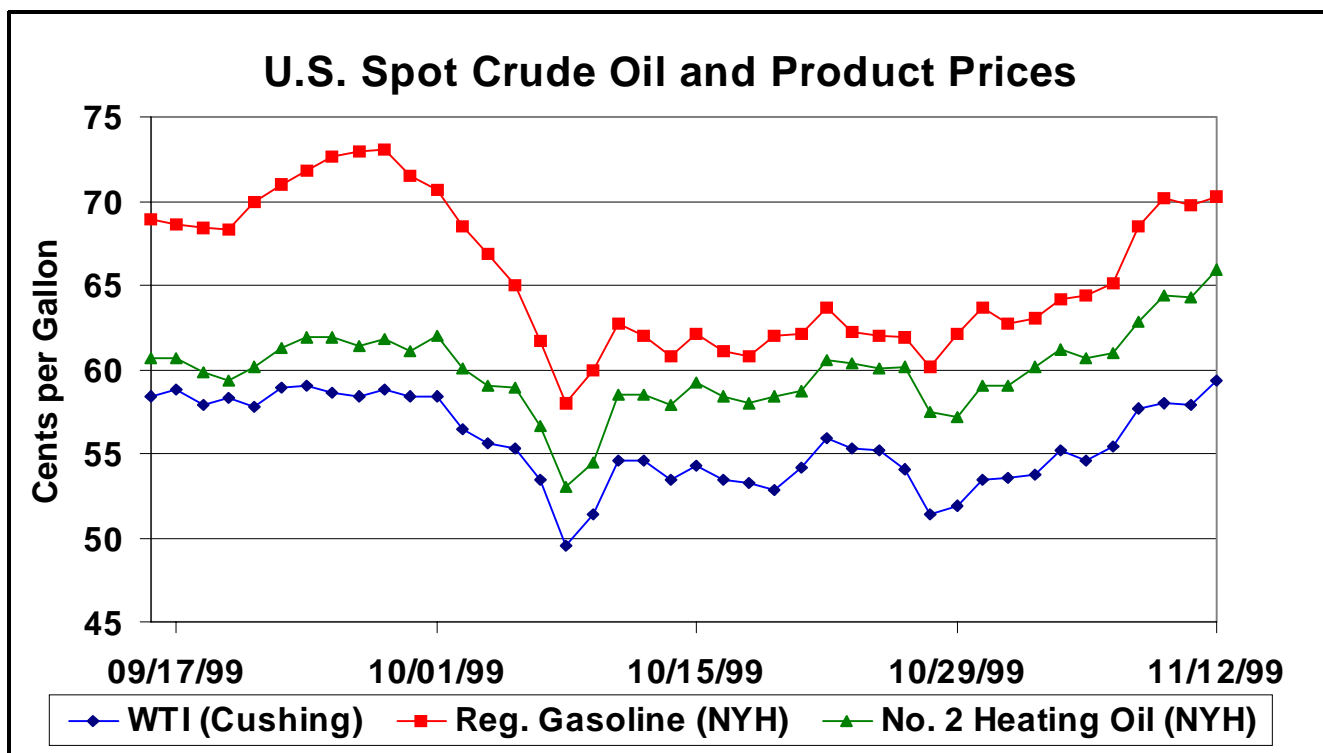
MARKET SUMMARY

A solid marketwide increase last week sent U.S. crude oil and distillate spot and futures prices to their highest levels since early 1997. The second straight week of higher prices was prompted by a mix of international and domestic influences, again dominated by speculation over the duration of current self-imposed crude oil output restraint by major producing countries. Additional influences included an IEA report showing global stockdraws, and sharp declines in weekly U.S. product inventories, only partially offset by the impending return of many refinery units from maintenance shutdowns.

Crude oil - prices posted increases every day but Thursday, when profit-taking briefly interrupted an otherwise steady climb. Spot WTI prices gained nearly \$2 for the week to close near \$25 per barrel, the highest level seen in nearly 3 years. Talk of possible extension of current production cuts past March 2000 continued all week, while weather-related closing of Mexican ports and possible delays in the next phase of U.N.-sanctioned Iraqi oil sales contributed to upward pressure.

Gasoline - recorded the sharpest rise for the week, gaining nearly 6 cents per gallon on the NYMEX and most spot markets east of the Rockies. New York Harbor prices reached six-week highs, aided by a fourth straight weekly stockdraw for the week ending November 5. However, a number of refinery units are expected to restart in the next few weeks, following fall turnarounds and recent problems.

Distillate - prices outpaced those for crude oil, aided by forecasts for cooler fall weather in the next 6 to 10 days. Six consecutive weekly stockdraws have reduced U.S. inventories to 14 million barrels below last year at this time, well ahead of the typical peak winter draws beginning in December.



CHRONOLOGY OF RECENT MARKET EVENTS

- 11/12 - rising** - distillates led all prices higher in thin trading, supported by a National Weather Service 6-to-10 day forecast calling for cooler temperatures. Reports suggested that the next phase of the U.N.-sanctioned Iraqi "oil-for-food" program, scheduled to start November 20, may be delayed.
- 11/11 - falling** - spot and futures prices dropped back slightly in profit-taking after recent strong gains. Additional downward pressure on product prices came from reported or pending returns of units from turnarounds at a number of refineries.
- 11/10 - rising** - products led all prices higher, fueled by strong gasoline and distillate stockdraws in the weekly API and EIA reports. The spot price of heating oil in New York Harbor jumped to its highest level since February 1997.
- 11/9 - rising** - prices rose sharply marketwide, taking WTI over \$24 per barrel for the first time in five weeks, lifted by an IEA report, Kuwaiti comments, and expectations for the weekly supply reports. Kuwait's oil minister said that OPEC members had agreed in principle to extend output cuts beyond March 2000, while IEA reported a strong global stockdraw for September.
- 11/8 - rising** - all prices moved moderately higher, despite a lack of significant market-moving news. Further comments from Venezuela's energy minister added to talk of output cut extensions, while two Mexican oil ports were closed due to bad weather.
- 11/5 - mixed** - crude oil and distillate prices eased in profit-taking after two days of increases, while gasoline rose slightly. A survey showing lower OPEC compliance in October was strongly bearish, though partially offset by Norwegian comments on possible output cut extension. A fire in a cat cracker at Deer Park Refining's Texas plant pushed gasoline prices higher.
- 11/4 - rising** - spot and futures prices climbed strongly, supported by a number of factors. EIA's November Short-Term Energy Outlook, calling for stronger fourth quarter demand, was cited as a factor, along with Venezuelan comments on the possibility of extending output cuts, and refinery problems on both the East and West coasts.
- 11/3 - rising** - prices rose across the board, led by distillates, as markets focused on larger-than expected product stockdraws in the weekly supply reports. North Sea Brent crude oil prices also jumped, resulting in a rare positive differential to WTI in the respective futures markets.
- 11/2 - mixed** - most prices moved lower, led by gasoline, ahead of the weekly API and EIA supply reports. Market sentiment was generally bearish, focusing on an expected crude oil stockbuild. Varying estimates of OPEC October compliance to output cuts were cited for intra-day price swings.
- 11/1 - rising** - all prices turned solidly upward in a continued recovery from Thursday's decline, with additional upward pressure from Shell Nigeria's declaration of *force majeure* on November loadings of Bonny Light crude. Speculation on possible extension of OPEC output cuts and anticipation of the weekly supply reports were also factors in the day's market activity.